

Office of the Legislative Auditor

State of Montana



Report to the Legislature

January 1995

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

Teachers' Retirement Division

Department of Administration

This report contains an unqualified opinion on the financial statements of the Teachers' Retirement System, a component unit of the State of Montana. The report does not contain any recommendations.

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STATE OF MONTANA

Office of the Legislative Auditor



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SCOTT A. SEACAT

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MARY BRYSON
Operations and EDP Audit
JAMES GILLET
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

January 1995


The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Teachers' Retirement Division of the Department of Administration for the two fiscal years ended June 30, 1994. We thank the administrator and his staff for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor



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Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1994

Teachers' Retirement Division

Department of Administration

Members of the audit staff involved in this audit were: Renee Foster,
Glenn Jorgenson, Paul J. O'Loughlin, and Vickie Rauser.

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Appointed and Administrative Officials

Retirement Board			Term <u>Expires</u>
	James E. Cowan, Chairman	Seeley Lake	1996
	W. Craig Brewington	Missoula	1994
	E. Joseph Cross	Billings	1995
	John U. Kranick	Great Falls	1997
	Sharon Oftedal	Miles City	1997
	Rich Stuber	Culbertson	1998
	Nancy Keenan Superintendent of Public Instruction	Ex-officio	

Administrative Officials	David L. Senn, Administrator
	Gary Warren, Assistant Administrator
	Tammy Rau, Accountant

Introduction

We performed a financial-compliance audit of the Teachers' Retirement Division (division), administratively attached to the Department of Administration, for the two fiscal years ended June 30, 1994. The audit objectives were to:

1. Recommend improvements in the division's management and internal controls.
2. Determine the division's compliance with applicable laws and regulations.
3. Determine if the Teachers' Retirement System financial statements present fairly the system's financial position at June 30, 1994 and 1993 and the results of the system's operations for each of the fiscal years then ended.

Background

The Montana Teachers' Retirement System, established by state law in 1937, currently has more than 17,500 active members and 1,105 vested inactive members. Approximately 7,530 retirees or their beneficiaries received retirement, disability, or survivor benefits in June 1994.

A six-member retirement board governs the retirement system. The responsibilities of the board include:

1. Establishing rules and regulations necessary for the proper administration and operation of the retirement system.
2. Determining the eligibility of a person who is applying for membership in the system.
3. Granting retirement, disability, and other benefits under the provisions of Title 19, chapter 20, MCA.
4. Designating an actuary to provide consultation on the technical actuarial aspects of the retirement system.

Except as noted below, all full-time members of the teaching profession are required to be members in the Teachers' Retirement System. By law, an eligible employee of the university system, hired after July 1, 1993, must become a member in an optional retirement plan, Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF),

Introduction

unless the employee is already a member of the Teachers' Retirement System or the Public Employees' Retirement System.

Contributions from active members, their employers, and earnings on the system's investments fund the retirement system. Active members' contributions are 7.044 percent of their earned compensation, while employers contribute 7.459 percent of the earned compensation of each member employed. The university system also contributes 2.503 percent of the salaries of TIAA-CREF participants. The contributions are exempt from income tax to the employees until benefits are drawn against those contributions. The Montana Board of Investments invests the system's assets.

The division obtains an actuarial valuation of the retirement system biennially, the most recent of which was as of July 1, 1994. The purpose of the valuation was to determine the financial status of the fund and the unfunded accrued liability based upon present and prospective assets and liabilities of the system. The actuary used the entry age actuarial cost method in the valuation, which is an employee's estimated future benefit costs allocated equally over the employee's years of service.

The results of the actuary's July 1, 1994 valuation indicate the system is funded on an actuarially sound basis and the unfunded accrued liability was \$586.5 million as of July 1, 1994. The amortization period for the current unfunded liability is 31.7 years at July 1, 1994, as compared to 34.9 years at July 1, 1992. The amortization period measures the time necessary for the employer and employee contributions to fund current employees' future benefits, and pay off the unfunded accrued liability, holding all other factors equal.

Prior Audit Recommendations

Prior Audit Recommendations

Our prior audit report, issued for the two fiscal years ended June 30, 1992, contained no recommendations to the division.

Independent Auditor's Report & Agency Financial Statements

Office of the Legislative Auditor



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LEGISLATIVE AUDITOR:
SCOTT A. SEACAT
LEGAL COUNSEL:
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial statements of the Teachers' Retirement System, a component unit of the state of Montana, for each of the two fiscal years ended June 30, 1993 and 1994, as shown on pages A-4 through A-12. The information contained in these financial statements is the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1994 and 1993, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The trend information contained in the Appendix is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

November 1, 1994

**TEACHERS' RETIREMENT SYSTEM
COMPONENT UNIT OF THE STATE OF MONTANA
BALANCE SHEET
AS OF JUNE 30, 1994 AND 1993**

	<u>1994</u>	<u>1993</u>
ASSETS		
Current Assets:		
Cash	\$ 3,755,110	\$ 1,148,775
Accounts Receivable	11,277,369	10,553,367
Interest Receivable	<u>12,573,660</u>	<u>12,621,933</u>
Total Current Assets	27,606,139	24,324,075
Investments (Note A):		
Mortgages	\$ 41,200,677	\$ 45,120,945
Securities	443,845,158	457,681,214
Common Stock	301,819,215	248,338,143
Other Investments	186,450,139	150,425,416
Land and Buildings	193,844	193,844
Less: Accum. Depreciation	<u>(90,955)</u>	<u>(87,191)</u>
Total Investments	973,418,078	901,672,371
Other Assets:		
Intangible Assets	\$ 118,165	\$ 56,160
Equipment	158,859	143,849
Less: Accum. Depreciation	(80,269)	(63,855)
Deferred Losses	<u>(755,293)</u>	<u>(1,042,136)</u>
Total Other Assets	<u>(558,538)</u>	<u>(905,982)</u>
TOTAL ASSETS	\$1,000,465,679	\$925,090,464
LIABILITIES		
Accounts Payable	\$ 637,444	\$ 641,736
Accrued Expenditures	20,000	18,789
Payroll Clearing	3,037	3,037
Accountability for Adv. (Note A)	70,886	196,639
Compensated Absences (Note A)	30,372	22,830
Property Held in Trust	5,572	(577)
Long Term Debts Payable	<u>105,198</u>	<u>76,915</u>
TOTAL LIABILITIES	<u>872,509</u>	<u>959,369</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$999,593,170</u>	<u>\$924,131,095</u>

**TEACHERS' RETIREMENT SYSTEM
COMPONENT UNIT OF THE STATE OF MONTANA
BALANCE SHEET
AS OF JUNE 30, 1994 AND 1993**

	<u>1994</u>	<u>1993</u>
FUND BALANCE (Note C)		
Actuarial present value of projected benefits to:		
Retirees and beneficiaries currently receiving benefits	\$ 736,051,087	\$ 634,549,416
Terminated employees not yet receiving benefits	32,518,975	33,778,152
Current employees:		
Accumulated employee contributions	459,775,565	439,208,159
Employer-financed:		
Vested	342,269,591	424,421,945
Nonvested	<u>15,485,479</u>	<u>21,111,397</u>
Total actuarial present value of credited projected benefits	\$1,586,100,697	\$1,553,069,069
Unfunded Pension Benefit Obligation (PBO)	<u>(586,507,527)</u>	<u>(628,937,974)</u>
TOTAL FUND BALANCE	<u>\$ 999,593,170</u>	<u>\$ 924,131,095</u>

The accompanying notes are an integral part
of these financial statements.

**TEACHERS' RETIREMENT SYSTEM
COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 1994 AND 1993**

	<u>1994</u>	<u>1993</u>
OPERATING REVENUES		
Member Contributions	\$ 38,748,884	\$ 37,249,490
Employer Contributions	39,164,487	38,088,280
Investment Earnings	<u>73,073,714</u>	<u>78,375,511</u>
Total Operating Revenues	\$150,987,085	\$153,713,281
OPERATING EXPENSES		
Benefit Payments	\$ 70,580,682	\$ 66,012,320
Withdrawals	4,156,137	3,971,610
Administrative Expense (Note F)	<u>846,164</u>	<u>769,820</u>
Total Operating Expenses	\$ 75,582,983	\$ 70,753,750
OPERATING TRANSFERS IN		
Public Employees Retirement System	43,358	112,520
Income Transfers	<u>0</u>	<u>1,586,710</u>
Total Transfers In	<u>43,358</u>	<u>1,699,230</u>
OPERATING INCOME	\$ 75,447,460	\$ 84,658,761
BEGINNING FUND BALANCE	924,131,095	839,019,471
Adjustments to Fund Balance	0	186
Prior Year Adjustments	<u>14,615</u>	<u>452,677</u>
ENDING FUND BALANCE	<u>\$999,593,170</u>	<u>\$924,131,095</u>

**TEACHERS' RETIREMENT SYSTEM
COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 1994 AND 1993**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Teachers' Retirement System, discretely presented component unit of the State of Montana financial reporting entity, maintains its accounts on the full accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

Valuation of Investments

Short-term investments and state securities are recorded at cost. Federal and corporate securities are stated at par value decreased by unamortized discounts amounting to \$132,690,305 in fiscal year 1994 and \$163,310,918 in fiscal year 1993. Mortgages were decreased by unaccumulated mortgage discount of \$43,533 in fiscal year 1994 and \$55,878 in fiscal year 1993.

The market value of the various investments at June 30, 1994 and 1993, was as follows:

	<u>1994</u>	<u>1993</u>
Montana Common Stock Pool	\$357,414,547	\$306,260,991
Montana Convertible Pool	38,254,615	22,852,832
Short-Term Investment Pool	44,205,000	49,752,200
Other Common Stock	1,471,500	121,500
Securities:		
U.S. Government	\$157,218,951	\$134,480,539
Corporate Bonds	<u>446,227,258</u>	<u>512,765,628</u>
Securities Subtotal	603,446,209	647,246,167
Other Investments	24,047,484	14,074,651
Montana Mortgages	41,244,210	45,120,945
Land and Buildings	<u>102,889</u>	<u>106,653</u>
	<u><u>\$1,110,186,454</u></u>	<u><u>\$1,085,535,939</u></u>

Gains and Losses on Bond Swaps

The deferral and amortization method was used for accounting for gains and losses on bond swaps. The unamortized deferred gains or losses are netted against the investment account and written off over the life of either the bond sold or acquired, whichever is less.

Compensated Absences

Compensated absences represent 100 percent of accrued vacation and 25 percent of accrued sick leave for division personnel at June 30, 1994 and June 30, 1993.

Accountability for Advances

Accountability for advances represents the liability associated with amounts received as an advance from other accounting entities or other governments at June 30, 1994 and June 30, 1993.

Minnie Fullam Fund

The TRS financial statements do not include the Minnie Fullam (MF) Fund, a legacy fund that is administered by the Teachers' Retirement System. The MF financial statements are presented below:

Minnie Fullam Fund Balance Sheet As of June 30, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Assets:		
Cash	\$ 281	\$ 533
MT Common Stock Pool	22,064	22,064
Short Term Investments	<u>27,300</u>	<u>24,300</u>
Total Assets	<u>\$49,645</u>	<u>\$46,897</u>
 Total Fund Balance	 <u>\$49,645</u>	 <u>\$46,897</u>

Minnie Fullam Fund Statement of Revenues, Expenses, and Changes in Fund Balance For the Fiscal Years Ended June 30, 1994 and 1993

	<u>1994</u>	<u>1993</u>
Investment Revenue	\$ 2,768	\$ 2,664
Ad Investment Exp	(20)	0
Beginning Fund Balance	<u>46,897</u>	<u>44,233</u>
Ending Fund Balance	<u>\$49,645</u>	<u>\$46,897</u>

NOTE B. DESCRIPTION OF PLAN

The Teachers' Retirement Board is the governing body of a mandatory multiple-employer, cost-sharing system which provides retirement services to all persons in Montana employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the university system. The System was established by the State of Montana in 1937 and is governed by Title 19, Chapter 20, of the Montana Code Annotated.

At June 30, 1994, the number and type of employers participating in the System was as follows:

Local School Districts	415
Community Colleges	3
University System Units	6
Vo-Techs	5
State Agencies	<u>6</u>
Total	<u>435</u>

At June 30, 1994, the System membership consisted of the following:

Retirees and Beneficiaries	
Currently Receiving Benefits	7,198
Terminated Employees Entitled to But Not Yet Receiving Benefits	6,874
Current Members:	
Vested	10,050
Nonvested	<u>7,389</u>
Total Membership	<u>31,511</u>

The pension plan provides retirement benefits and death and disability benefits. Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to 1/60 times creditable service years times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

Effective January 1, 1988, university system employees eligible to participate in the Teachers' Retirement System could elect to participate in an Optional Retirement Plan established by the Board of Regents. As of July 1, 1994, a total of 1,115 eligible university system employees have elected to participate in the Optional Retirement Plan. Effective July 1, 1993, membership in the Optional Retirement Plan is mandatory for new employees to the university system unless they are already a member of the Teachers' Retirement System.

Effective January 1, 1990, certain members of the Teachers' Retirement System are eligible to receive a post retirement adjustment (PRA). The PRA is funded by annual investment earnings in excess of the required 8%. To be eligible, a retiree or beneficiary must be at least 55 years of age or be receiving a disability or survivor allowance and have been receiving a monthly benefit for 24 months preceding June 30 each year. In fiscal year 1994, \$2,879,550 was disbursed to eligible recipients.

NOTE C. FUNDING STATUS AND PROGRESS

The pension benefit obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at July 1, 1994. Significant actuarial assumptions at June 30, 1994 include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, and (b) total projected salary increases of 6.5%. These same assumptions were used in the actuarial valuation at July 1, 1992. An actuarial valuation of the liabilities of the system as of June 30, 1993 was not performed; instead, the pension benefit obligation as of June 30, 1993 was estimated on the actuarial valuation prepared as of June 30, 1992.

At June 30, 1994 and 1993, the unfunded pension benefit obligation was as follows:

	<u>1994</u>	<u>1993</u>
Pension Benefit Obligation:		
Retirees and beneficiaries currently receiving benefits	\$ 736,051,087	\$ 634,549,416
Terminated members entitled to but not yet receiving benefits	32,518,975	33,778,152
Current employees:		
Accumulated employee contributions	459,775,565	439,208,159
Employer-financed vested	342,269,591	424,421,945
Employer-financed nonvested	<u>15,485,479</u>	<u>21,111,397</u>
Total Pension Benefit Obligation	\$1,586,100,697	\$1,553,069,069
Net Assets Available for Benefits at Cost		
(Market Value 1994 - \$1,136,361,547)	<u>999,593,170</u>	<u>924,131,095</u>
(Market Value 1993 - \$1,107,994,664)		
Unfunded Pension Benefit Obligation	<u>\$ 586,507,527</u>	<u>\$ 628,937,974</u>

NOTE D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The TRS funding policy provides for periodic employer and employee contributions at rates specified by State Law. An actuary determines the actuarial implications of the funding requirement in biennial actuarial valuations. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the accrued liability determined as a level percentage of payroll. The actuarial valuation prepared as of July 1, 1994, the most recent valuation date, indicates the statutory rate was sufficient to fund the normal cost and to amortize the unfunded accrued liability under the entry age normal method over 31.7 years. During fiscal years 1994 and 1993, no changes were made in the method used to calculate or establish contribution requirements, nor were there any changes in the law affecting benefits.

Actual contributions made to the System during the fiscal year ending June 30, 1994 and 1993, were as follows:

	<u>1994</u>	<u>1993</u>
Covered payroll	\$440,462,948	\$445,390,838
Employer contributions	\$ 39,164,488	\$ 38,088,280
--% of covered payroll(R)	7.470%	7.459%
--% of covered payroll(A)	8.892%	8.552%
Employee contributions	\$ 38,748,883	\$ 37,249,490
--% of covered payroll(R)	7.044%	7.044%
--% of covered payroll(A)	8.797%	8.363%

(R)Contributions required by statute.

(A)Actual contributions.

Employer contributions include transfers from the Public Employees' Retirement System.

NOTE E. HISTORICAL TREND INFORMATION

<u>ANALYSIS OF FUNDING PROGRESS</u>	<u>As of June 30</u>						
	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
Net assets available for benefits as a % of PBO	63.0%	59.5%	57.9%	57.7%	57.1%	56.4%	56.2%
Unfunded PBO as a % of annual covered payroll	133.2%	141.2%	143.6%	138.2%	130.6%	133.2%	128.6%
Employer contributions as a % of annual covered payroll	8.892%	8.552%	8.411%	8.231%	7.734%	7.428%	7.428%

NOTE F. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended June 30, 1994 and 1993, are outlined below:

	<u>1994</u>	<u>1993</u>
Personal Services:		
Salaries	\$251,292	\$248,596
Other compensation	2,250	2,750
Employee benefits	<u>65,933</u>	<u>64,075</u>
Total Personal Services	\$319,475	\$315,421
Operating Expenses:		
Contracted services	\$150,968	\$111,856
Supplies and materials	13,397	18,046
Communications	37,062	35,263
Travel	7,814	11,176
Rent	45,345	44,194
Repair and maintenance	11,954	5,934
Other expenses	8,140	2,544
Equipment	165	242
Intangible Assets	0	74
Long Term Debt Expense	10,308	8,194
Compensated Absence	2,976	5,555
Depreciation	20,368	18,171
Amortization	<u>19,508</u>	<u>4,495</u>
Total Operating Expense	\$328,005	\$265,744
Investment Expense	<u>198,684</u>	<u>188,655</u>
Total Administrative Expense	<u>\$846,164</u>	<u>\$769,820</u>

During fiscal year 1992, TRS solicited proposals for a new data processing system. Sixty monthly payments of \$5,092.08 began on November 29, 1992 and conclude October 29, 1997 for a total debt of \$305,524.80 which includes principle and interest of \$271,279.34 and \$34,245.46 respectively.

TREND INFORMATION
(Unaudited)

The following tables show trend information related to the Teachers' Retirement System. The trend information presented relates to an analysis of funding progress, revenue by source, and expenses by type. The trend information has been reconciled to the financial statements and no significant differences exist.

The tables were excerpted "as is" from the Teachers' Retirement System's annual report for the fiscal years ended June 30, 1994 and 1993.

Teachers' Retirement System

Table 8

Analysis of Funding Progress

Reporting Date (July 1)	(1) Net Assets*	(2) Pension Benefit Obligation (PBO)	(3) Percentage of PBO Funded (1)/(2)	(4) Unfunded PBO (2)-(1)	(5) Annual Salaries	(6) Unfunded PBO as Percentage of Annual Salaries (4)/(5)
1989	\$624,755,142	\$1,107,492,899	56.4%	\$482,737,757	\$362,464,600	133.2%
1990	689,225,147	1,206,792,010	57.1	517,566,863	396,235,432	130.6
1991	761,462,699	1,320,000,000	57.7	558,537,301	404,256,229	138.2
1992	839,020,635	1,449,482,394	57.9	610,461,759	425,125,516	143.6
1993	924,131,095	1,553,069,069	59.5	628,937,974	445,390,838	141.2
1994	999,593,170	1,586,100,697	63.0	586,507,527	440,462,948	133.2

Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of a Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in the unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of TRS's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the Retirement System.

*Asset are valued at cost for the System's balance sheet purposes. Net assets are total assets less fund liabilities.

This comparative information is only available from FY 1989 to FY 1994.

Revenues By Source

<u>Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>
1984 - 1985	\$26,630,671	\$26,104,746	\$35,357,881		\$88,093,298
1985 - 1986	27,603,165	27,322,124	45,404,420		100,329,709
1986 - 1987	28,883,825	28,401,842	48,820,651		106,106,318
1987 - 1988	28,900,393	28,324,488	51,877,012		109,001,883
1988 - 1989	28,995,301	28,657,283	58,742,650		116,395,234
1989 - 1990	30,549,466	30,646,428	63,748,295		124,944,189
1990 - 1991	32,611,152	33,274,827	67,033,563		132,919,542
1991 - 1992	34,677,311	35,759,120	70,680,973		141,117,404
1992 - 1993	37,249,490	38,088,280	78,375,511		153,713,281
1993 - 1994	38,748,884	39,164,487	73,073,714		150,987,085

Expenses By Type

<u>Year</u>	<u>Benefit Payments</u>	<u>Withdrawals</u>	<u>Admin. Expenses (1)</u>	<u>Investment Expenses</u>	<u>Other</u>	<u>Total</u>
1984 - 1985	\$32,498,499	\$4,812,090	\$334,023	\$104,330		\$37,748,942
1985 - 1986	37,633,013	4,647,911	378,827	133,979		42,793,730
1986 - 1987	40,292,222	4,807,517	442,966	125,607		45,668,312
1987 - 1988	44,001,287	6,994,554	443,786	310,975		51,750,602
1988 - 1989	47,214,491	5,213,596	474,560	179,743		53,082,390
1989 - 1990	51,033,464	8,561,498	520,926	166,134		60,282,022
1990 - 1991	54,869,861	4,243,421	485,918	191,692		59,790,892
1991 - 1992	60,763,611	3,307,312	684,415	180,920		64,936,258
1992 - 1993	66,012,320	3,971,610	581,165	188,655		70,753,750
1993 - 1994	70,580,682	4,156,137	647,480	198,684		75,582,983

(1) Includes depreciation after fiscal year 1984

Agency Response

TEACHERS' RETIREMENT SYSTEM



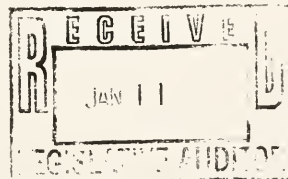
1500 SIXTH AVENUE
PO BOX 200139
HELENA, MONTANA 59620-0139

(406) 444-3134
FAX 444-2641

MARC RACICOT, GOVERNOR

STATE OF MONTANA

January 11, 1995



Scott A. Seacat
Legislative Auditor
Capitol Station
Helena, MT 59620

Dear Mr. Seacat:

I would like to extend the Board's appreciation to the members of the Audit Team for their consideration and courtesy extended to the staff of the Teachers' Retirement System during the audit for the two fiscal years ended June 30, 1994.

We are pleased with the findings in the report and will continue to work hard to fulfill the mission of the Teachers' Retirement System; to maintain a financially sound system that will provide the broadest and fairest possible range of retirement, disability and survivor benefits to Montana educators.

Sincerely,

A handwritten signature in cursive script that reads "David L. Senn".

David L. Senn
Executive Director

DLS\pd

